

# still no rhyme or region to leaving the EU?



The reports at the start of February 2019, of Theresa May trying to woo certain Labour MPs<sup>1</sup> with promises of additional funding for the areas they represent in return for their support of her 'EU withdrawal agreement', raised a few eyebrows among citizens and local representatives across England's less advantaged areas. There were a number of reasons for this.

First, it came at the end of a week in which new research from the Centre for Cities<sup>2</sup> emphasised what local authorities and communities across the nation already knew from daily experience – that the burdens of austerity, far from being distributed according to George Osborne's dictum of 'we're all in this together',<sup>3</sup> have been strongly socially regressive, hitting some of the less advantaged places and people hardest. The largest real-term falls in total local government spending in the 2009/10-2017/18 period disproportionately hit towns and cities in the North of England, which have on average seen a 20% reduction in their budgets. In contrast, towns and cities in the South West, the East of England and the South East (excluding London) have seen cuts of only 9% on average.

Reflecting this tendency, Liverpool has seen a real-term decline in day-to-day council spending of 32% since 2009/2010 – the second-largest percentage fall after Barnsley. In Liverpool this equates to a loss of £441 million a year since 2009/10, equivalent to £816 less for every person in the city – the biggest cut per resident nationally. This level of cuts means that once local authorities have allocated support to vital services such as social care, there is little left for spending on other things such as planning and development.

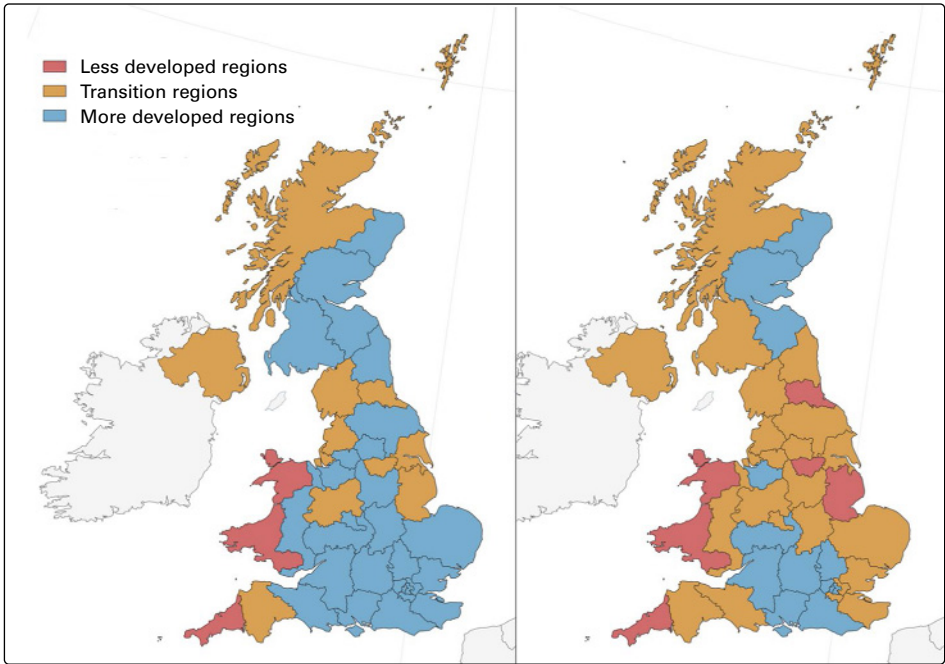
Our more disadvantaged places are thus hit by a double whammy – the immediate difficulties of keeping crucial services going and keeping on top of important tasks such as fixing the holes in the road, and a constrained capacity to act in the interests of the medium- and long-term development of their

areas. It is all a long way from the rhetoric of local empowerment and autonomy which characterised the 2010-15 coalition government. What price the bespoke devolution deals concluded with some combined authority areas if the core constitutive local authorities are losing these kinds of levels of support?

Secondly, this is all set against a backdrop in which the UK government's policy of taking the UK out of the EU is predicted, including by its own studies,<sup>4</sup> to hit many less advantaged regions hardest. With growth over the next 15 years under any Brexit scenario expected to be less than if the UK remains fully within the EU, many such areas – including those which voted 'leave' in 2016<sup>5</sup> – will potentially be the most negatively affected economically. Any inducements offered to their MPs in return for supporting Mrs May's deal need to be set alongside such considerations. Are the sums promised going to compensate for the losses of the austerity decade, the impacts of any Brexit, and (see below) potentially foregone EU funding support?

Thirdly, the EU's regional policy has previously provided an important source of support to less favoured regions<sup>6</sup> – including through initiatives for areas such as the former coalfields – which will not be available in future if the UK leaves. In the 1980s the talk in some UK government circles of 'managed decline'<sup>7</sup> for certain major urban areas such as Liverpool remained unacceptable to a number of key actors both in the UK and at the highest levels within European institutions. Significantly, Conservatives like Michael Heseltine, who advocated more attention and resources for regeneration, were also among the most pro-European members of a party whose decades-long 'civil war' over Europe ultimately led the UK to the juncture it faces today.

EU funding programmes stepped in to support communities affected by the decline of certain industrial sectors. For example, initiatives such as RECHAR provided EU support to communities affected by pit closures – although even then difficulties in securing UK funding to 'match' this were reported and debated in Parliament.<sup>8</sup> Yes, the forms to access EU support were long to fill in, and the audit trails could be mind boggling, but the money was there – committed multi-annually to places on the basis of need and programme



**Fig. 1 EU Cohesion Policy eligibility for 2014-20 (category of regions) (left) and (right) CPMR forecast of Cohesion Policy eligibility for 2021-27**

Source: UK Entitled to 13 bn Euro Regional Funding if it Remains in EU<sup>9</sup>

priorities, not ad hoc clientelist accommodations reached in backrooms.

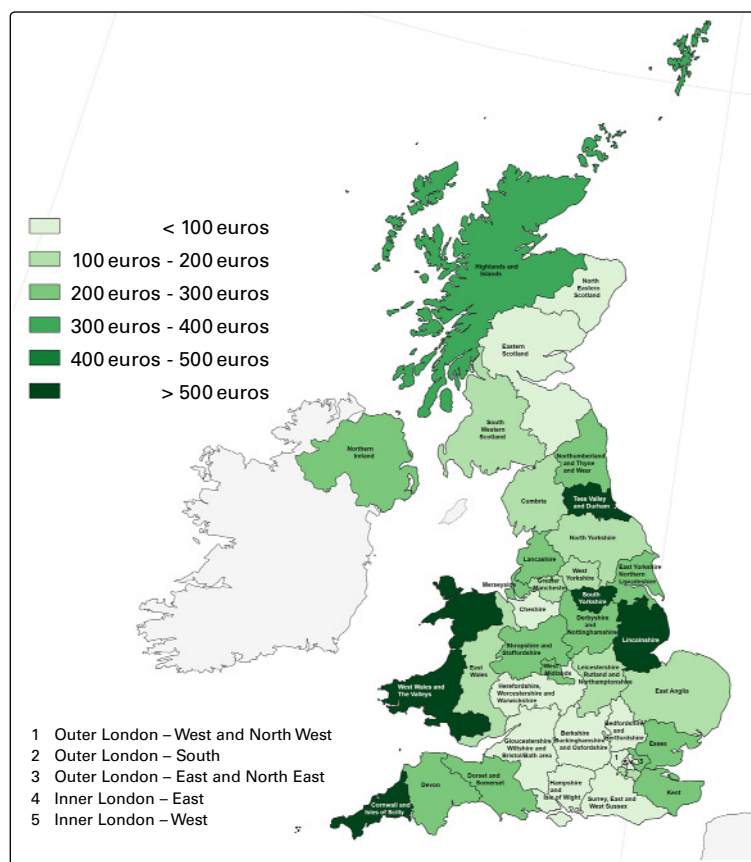
Fourthly, although there has so far been little indication of how much support a proposed ‘UK Shared Prosperity Fund ’ (UKSPF) may deliver in lieu of current EU Structural and Investment Funds (ESIFs), a clearer picture is beginning to emerge of the potential funding that UK regions could receive from the EU Cohesion Policy post-2021 (see Figs 1 and 2).<sup>9</sup> Work by the Conference of Peripheral Maritime Regions (CPMR)<sup>10</sup> suggests that if the UK remains in the EU it could be in line to receive around 13 billion euros of regional development funding between 2021 and 2027. This would be equivalent to a 22% increase compared with the current 2014-20 funding period – a result of the sobering fact that, once again, many areas of the UK are falling behind the EU average in terms of regional prosperity.

Furthermore, internal regional disparities between regions within the UK have also increased in recent years. This means that areas such as Cornwall and the Isles of Scilly, West Wales and the Valleys, South Yorkshire, Tees Valley and Durham, and Lincolnshire could receive EU regional funding of over 500 euros per person per year after 2021. And again reflecting one of the often cited advantages of EU regional funding, this would be committed over a multi-

annual period from 2021 to 2027. Any expedient ‘deals’ with certain places in return for short-term political support would seem to be a poor substitute for this kind of longer-term and strategic needs-based regional policy.

Confidence in any arrangements that may replace EU support to regions may also be tempered by the UK government track record on austerity discussed above and by knowledge of how in the 2014-20 round of funding the then government chose to allocate ESIF funding to some regions. Merseyside, for example, was allocated 202 million euros (£167.835 million) of funding, when the European Commission’s formula suggested the area should receive around 350 million euros (£290.147 million) – an approach described by Liverpool Mayor Joe Anderson as ‘Robin Hood in reverse – taking from the poor to give to the rich’.<sup>11</sup>

Looking ahead, the report of an initial inquiry by the recently formed All-Party Parliamentary Group on Post-Brexit Funding for Nations, Regions and Local Areas<sup>12</sup> has noted – based on the responses of ‘just about all the contributors to the Inquiry’ – that the annual budget for the UKSPF would need to be around £1.5 billion adjusted for inflation to match in real terms the present levels of ERDF and ESF funding. There was less clear consensus,



though, around the question ‘How should the UK Shared Prosperity Fund be divided up between the four nations of the UK?’. The APPG thus noted that:

*‘There is ... some support – in England it has to be said – for taking a fresh look at the data and allocating accordingly between the four nations. This view is not shared by contributors to the Inquiry from Scotland, Wales and Northern Ireland’. ‘From these parts of the UK the strongly held view is that not just the share of the new Fund but also the absolute amounts (adjusted for inflation) should be no less than the present EU funding. **The sensitivity on this point appears considerable.**’ (Emphasis added)*

But regardless of such debates, ultimately, as the CPMR notes, ‘for the moment, there is little detail on the mechanism, governance and value’<sup>9</sup> of the proposed new UKSPF.

## Conclusion

The full nature of the UK's future relationship with the European Union is unknown. Much will depend

on the outcome of negotiations still to come. The opportunity costs of diverting resources and attention from genuine national policy challenges such as the crises in housing and the health services and from reflection on important areas of government policy, ranging from higher education to the environment, will continue to be high and will impact disproportionality on those places and communities that can least afford to bear them. The focus on issues such as ending freedom of movement contrasts with the lack of information on future investment to aid the 'left behind' places and communities that Theresa May claimed were at the heart of her concerns in the months following the 2016 referendum result, and which she has apparently now rediscovered as she seeks political support for her withdrawal agreement.

Meanwhile, the effects of ploughing on with leaving the EU on people, places, services and business are reported daily – from the haemorrhaging of non-UK EU staff in the NHS to labour supply issues in certain sectors. These are impacts that affect real places and real communities. Added to

this, many areas that have not only been the key UK beneficiaries of EU regional funding, but have economies that are more integrated with the rest of the EU than those of London and the South East are predicted by government and independent analysts to be the big losers under all 'Brexit' scenarios.

The question of whether the decades-long EU support for Britain's development areas and regions would be matched following any Brexit is still largely open. So, as with so much else, Brexit has above all delivered enduring uncertainty about the future prospects for place-based policies.

Clearly if the UK does leave the EU, whether under the terms of Theresa May's withdrawal agreement or under a 'no deal' scenario, any form of regional policy will need to be replaced by the domestic arrangements currently being discussed. UK territories will also be at the mercy of domestic trade-offs and politically expedient 'sweetheart deals' with particular places and sectors.<sup>13</sup>

The domestic political dimension is very significant here, too, because, despite the dominant media representations, and as Danny Dorling reminds us, the geography of Brexit is in truth more one of a privileged 'comfortable Britain' than of a disadvantaged 'left behind Britain'.<sup>14</sup> The future of regional policy in any post-EU UK will therefore effectively hang on the extent to which, domestically, there is an appetite for redistribution – or, put crudely, how far the former geography will be willing to support the latter in a UK floating free from EU (and historically British) principles of territorial cohesion and inter-regional solidarity. Such issues are rendered even more complex by devolution- and autonomy-seeking tendencies currently building within the UK.

In the four decades of UK membership of the EEC/EU, the EU Cohesion Policy was one mechanism through which the resources of prosperous parts of the UK found their way to less prosperous UK areas. In light of this, and of forecasts of the regional impacts of leaving the EU, industrial disinvestment,<sup>13</sup> polls indicating a shift in areas such as the North East of England and Wales towards support for remaining in the EU,<sup>15</sup> and the continuing opportunities that post-2021 Cohesion Policy could offer to the UK's less advantaged areas, the MPs who are being courted by Theresa May might well still best serve their constituents and areas by making the case for the UK remaining a full member of the EU.

● **Olivier Sykes** is with the Department of Geography and Planning at the University of Liverpool. The views expressed are personal.

## Notes

- 1 D Sabbagh: 'May woos rebel Labour MPs in effort to gain Brexit deal backing'. *The Guardian*, 30 Jan. 2019. [www.theguardian.com/politics/2019/jan/30/government-looks-to-exploit-labour-divisions-over-brexit](http://www.theguardian.com/politics/2019/jan/30/government-looks-to-exploit-labour-divisions-over-brexit)
- 2 *Cities Outlook 2019*. Centre for Cities, Jan. 2019. [www.centreforcities.org/publication/cities-outlook-2019/](http://www.centreforcities.org/publication/cities-outlook-2019/)
- 3 'George Osborne's speech to the Conservative conference: full text'. *New Statesman*, 8 Oct. 2012. [www.newstatesman.com/blogs/politics/2012/10/george-osbornes-speech-conservative-conference-full-text](http://www.newstatesman.com/blogs/politics/2012/10/george-osbornes-speech-conservative-conference-full-text)
- 4 Including by its own studies – see 'Brexit will make UK worse off, government forecasts warn'. *BBC News*, 28 Nov. 2018. [www.bbc.com/news/uk-politics-46366162](http://www.bbc.com/news/uk-politics-46366162)
- 5 Including many which voted 'leave' in 2016 – see 'How Brexit will hit different UK regions and industries'. *The Conversation*, 9 Feb. 2018. <https://theconversation.com/how-brexit-will-hit-different-uk-regions-and-industries-91287>
- 6 EU's regional policy has previously provided an important source of support to less favoured regions – see *The Great British Regression: Brexit and Inequality. Essay Collection*. Centre for Labour and Social Studies (CLASS), Dec. 2018. [http://classonline.org.uk/docs/The\\_Great\\_British\\_Regression\\_December\\_2018.pdf](http://classonline.org.uk/docs/The_Great_British_Regression_December_2018.pdf)
- 7 'Thatcher urged 'let Liverpool decline' after 1981 riots. *BBC News*, 30 Dec. 2011. [www.bbc.co.uk/news/uk-16361170](http://www.bbc.co.uk/news/uk-16361170)
- 8 *European Commission RECHAR Programme*. Early Day Motion. House of Commons, 18 Jul. 1990. <http://www.parliament.uk/edm/1989-90/1306>
- 9 *UK Entitled to 13 bn Euro Regional Funding if it Remains in EU*. Conference of Peripheral Maritime Regions, Jan. 2019. <https://cpmr.org/wpdm-package/uk-allocation-for-cohesion-policy-for-post2020/?wpdmid=20524&ind=1548085046370>
- 10 The CPMR is a European organisation representing the interests of 160 regions from 25 countries of the EU and beyond. Its UK members include the Welsh Government, several local authorities in Scotland, and Cornwall Council and Southend-on-Sea Borough Council in England – see [www.cpmr.org](http://www.cpmr.org)
- 11 See 'Liverpool and Sheffield win EU funding challenge'. *BBC News*, 7 Feb. 2014. [www.bbc.co.uk/news/uk-england-26088500](http://www.bbc.co.uk/news/uk-england-26088500)
- 12 *Report of an Initial Inquiry into the UK Shared Prosperity Fund*. All-Party Parliamentary Group on Post-Brexit Funding for Nations, Regions and Local Areas, Nov. 2018. <https://static1.squarespace.com/static/5bb773c49b7d1510743e696f/t/5bf2d3e9575d1fa7b42160cf/1542640619841/APPG+report-on+UKSPF.pdf>
- 13 D Sabbagh and J Jolly: 'Nissan was offered secret state aid to cope with Brexit, minister concedes'. *The Guardian*, 4 Feb. 2019. [www.theguardian.com/politics/2019/feb/04/government-letter-to-nissan-reveals-brexit-promise-to-carmakers](http://www.theguardian.com/politics/2019/feb/04/government-letter-to-nissan-reveals-brexit-promise-to-carmakers)
- 14 D Dorling: 'Brexit: the decision of a divided country'. *BMJ*, 2016, Vol. 354: i3697. Available at [www.dannydorling.org/wp-content/files/dannydorling\\_publication\\_id5564.pdf](http://www.dannydorling.org/wp-content/files/dannydorling_publication_id5564.pdf)
- 15 P Worrall: 'Major new Brexit poll shows voters swinging towards Remain'. *Channel 4 News*, 8 Nov. 2018. [www.channel4.com/news/major-new-brexit-poll-shows-voters-swinging-towards-remain](http://www.channel4.com/news/major-new-brexit-poll-shows-voters-swinging-towards-remain)